Registration number 00189291

Novar ED&S Ltd

Report and accounts 2012

Registration number 00189291

Contents

Directors' report

for the year ended 31 December 2012

Novar ED&S Ltd
Registration number 00189291

The directors of Novar ED&S Ltd present the report and audited accounts of the company for the year ended 31 December 2012

Principal activities
Novar ED&S Ltd is a leading manufacturer and supplier of electrical and electronic products These products are used in industrial applications and are widely available through an extensive wholesale network of distributors, and to consumers through retail outlets Brands include MK Electric and Ex-Or and products are distributed throughout Europe, the Middle East and the Far East The company also has a branch in Ireland

Business review and future developments

Management monitors the business using the following key indicators	2012 %	*2011 %*
Turnover % change compared with previous year, due to		
Volume	(4 7)	*(0 7)*
	(4 7)	*(0 7)*
Gross profit %	31 4	*33 1*
Operating result % of turnover	6 3	*10 5*
Headcount % change compared with previous year	(4 4)	*(0 1)*

Turnover
Turnover for 2012 was 4 7% down on 2011 at £129,921,000 (2011 £136,266,000) The main factors affecting the business results for the year and the future outlook for the company are as follows

The economic environment continued to be challenging and affected both the wholesale and retail channels The business was also impacted for the second year by customers reducing their stock holding levels The economic outlook for 2013 continues to be uncertain with construction output forecast to decline driven by a reduction in public sector spend impacting on social housing and public non housing projects The decline is driven by a downside in the wholesale channel, slightly mitigated by Ex-Or growth

Gross profit
The decrease in gross margin % is driven by the decrease in sales as well as unfavourable channel and product mix

Operating result
The operating result for 2012 incorporates pension costs of £3,777,000 (2011 £3,200,000) Pension costs are expected to continue at the 2012 level for the foreseeable future The reason for the decrease in % turnover is primarily driven by sales decline, coupled with inflationary cost increase

Headcount
The reduction in headcount is driven by the common process system implementation and HR initiatives

Friedland Ltd was placed in liquidation during 2012, this resulted in a net loss on disposal of £322,000

The results for the year are in line with the directors' expectations

Strategy
The company maintains market share and sustainable growth through the following strategies
- focus on customers, including customer survey programmes to obtain and action customer feedback to improve business performance,
- providing the highest standard of product, service and delivery to its customer at a competitive cost,
- productivity and process improvement,
- product development,
- continued expansion into current and new markets,
- proactive alignment of its business structure to meet changing market demands,
- defending and extending the installed base through productivity improvements, and
- strong brand recognition through brand and channel management

Principal risks and uncertainties
The management of the business and the execution of the company's strategy are subject to a number of risks The key business risks affecting the company are
- changes in spending and capital investment patterns
- fluctuation in customer demand
- adverse economic conditions
- raw material price fluctuations
- obsolescence arising from a shift in technology
- changes in legislation or government regulations or policies
- cost of employee retirement benefits
- health and safety of employees and contractors

In response to the risks the company
- maintains a UK-wide presence and aims to have a competitive installed cost and integrated product solutions through technology and productivity,
- ensures continued recognition of brand and quality to maintain market position,
- maintains a high technology offering while widening its product base and expanding into new areas,
- implements supply chain and procurement initiatives,
- actively investigates new technologies and market trends,
- monitors applicable regulations to ensure products and systems provide high quality solutions for current needs,
- ensures that pension schemes are adequately funded, and
- the company ensures that all reasonable steps are taken to provide a safe working environment

The company expects to continue its activities and its current level of performance for the foreseeable future

Financial risk management
Hedges
The company hedges its exposures to significant foreign currency movements
At 31 December, the fair value of unrealised assets/(liabilities) under hedge contracts was not material (2011 £nil)

Other risks
The company's exposure to risks such as prices, credit risk, liquidity, and cash flow is within reasonable commercial limits and these exposures are not hedged

Results and dividends
The company's profit for the financial year was £4,045,000 (2011 £9,694,000 profit) which will be transferred to reserves The results for the year are shown on page 6

The directors do not recommend the payment of a dividend (2011 5,028,000)

Directors
The directors of the company who held office during the year and up to the date of signing these accounts were

Grant Fraser
Frank Nonnenmann
Chris White (resigned 27 January 2012)
James Chorlton
Mike Hill
Ernst Malcherek
Andrea Quantrill (appointed 27 January 2012)
Tom Larkins (resigned 16 November 2012)
John Tus

Directors' indemnities
Pursuant to the Company's articles of association, the directors were throughout the year to 31 December 2012 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 236 of the Companies Act 2006

Research and development
Research and development expenditure for the year amounted to £5,353,000 (2011 £5,028,000)

Market value and balance sheet value of land and buildings
There is no material difference between the book value and market value

Employment of disabled persons
The company recognises that physically or otherwise disabled individuals are not, of necessity, prevented from making a valuable and significant contribution to the business, and where people have the attitudes and abilities necessary for the job, the company gives sympathetic consideration towards employing them, or retaining them in work should the disability emerge during employment The company's policy is to ensure that no discrimination, either direct or indirect, occurs against employees or applicants, whether in selection, promotion, access to training, or appraisal

Employee involvement
The company keeps employees fully informed of the company's strategies and their impact on the performance of the company and the group and encourages employee participation Briefing meetings are held for each division to give information on company matters and provide an opportunity for discussion E-mail bulletins are circulated regularly to all employees to ensure a common awareness of financial and economic factors that affect the performance of the company Furthermore, employees can acquire shares in the ultimate parent company through the UK ShareBuilder Plan

Directors' responsibilities statement
The directors are responsible for preparing the Directors' report and the accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year Under that law the directors have prepared the accounts in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these accounts, the directors are required to
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Going concern
The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Directors' report The ultimate parent company, Honeywell International Inc has indicated it will provide financial support to the company for at least one year from the date of signing these accounts

The directors, having taken into account the financial support from the ultimate parent undertaking believe that no material uncertainties exist that cast significant doubt on the company's ability to continue in operation for the foreseeable future

Disclosure of information to auditors
In the case of each of the persons who is a director at the time this report is approved
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that he/she ought to have taken as at director to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

Grant Fraser
Director
26 March 2013

Independent auditors' report

to the members of Novar ED&S Ltd Registration number 00189291

We have audited the financial statements of Novar ED&S Ltd for the year ended 31 December 2012 which comprise the profit and loss account, the statement of recognised gains and losses, the balance sheet and the related notes

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors responsibilities statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Alison Cashmore (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
West London
28 March 2013

Profit and loss account

for the year ended 31 December 2012

Novar ED&S Ltd
Registration number 00189291

	Note	2012 £000	*2011 £000*
Turnover	3	129,921	*136,266*
Cost of sales		(89,184)	*(91,098)*
Gross profit		40,737	*45,168*
Distribution costs		(13,000)	*(12,269)*
Administrative expenses		(19,567)	*(18,584)*
Operating profit	4	8,170	*14,315*
Income from shares in group undertakings	7	10,190	-
Amounts written off in respect of investments	7	(10,511)	-
Interest receivable and similar income	8	32	*32*
Interest payable and similar charges	8	(3,093)	*(3,036)*
Other finance income	19	3,355	*5,000*
Profit on ordinary activities before taxation		8,143	*16,311*
Tax on profit on ordinary activities	9	(4,098)	*(6,617)*
Profit for the financial year	21	4,045	*9,694*

All amounts are derived from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

Statement of total recognised gains and losses

for the year ended 31 December 2012

	Note	2012 £000	*2011 £000*
Profit for the financial year		4,045	*9,694*
Actuarial loss on pension plan	19	(8,452)	*(51,928)*
Movement on deferred tax relating to pension asset	10	834	*12,759*
Movement on current tax relating to pension asset		1,237	*998*
Total recognised losses relating to the year		(2,336)	*(28,477)*

Balance sheet

at 31 December 2012

Novar ED&S Ltd

Registration number 00189291

	Note	2012 £000	*2011 £000*
Fixed assets			
Intangible assets	11	7,303	*8,010*
Tangible assets	12	12,676	*13,374*
Investments	13	4,973	*15,484*
		24,952	*36,868*
Current assets			
Stock	14	12,908	*11,324*
Debtors	15	39,612	*27,347*
Cash at bank and in hand		2,200	*32,472*
		54,720	*71,143*
Creditors amounts falling due within one year	16	(61,063)	*(80,119)*
Net current liabilities		(6,343)	*(8,976)*
Total assets less current liabilities		18,609	*27,892*
Creditors:amounts falling due after more then one year	17	(40,441)	*(40,441)*
Provisions for liabilities			
Other provisions	18	(1,999)	*(2,738)*
Net liabilities excluding pension liability		(23,831)	*(15,287)*
Pension liability	19	(14,837)	*(21,045)*
Net liabilities including pension liability		(38,668)	*(36,332)*
Capital and reserves			
Called up share capital	20	1,101	*1,101*
Share premium account	21	19,800	*19,800*
Other reserves	21	714	*714*
Profit and loss account	21	(60,283)	*(57,947)*
Total shareholders' deficit	21	(38,668)	*(36,332)*

The accounts on pages 6 to 18 were approved by the board of directors on 26 March 2013 and signed on its behalf by

Grant Fraser

Grant Fraser
Director

1. Accounting policies
These accounts are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The accounting policies which have been applied consistently throughout the year are set out below

Changes in accounting policies
The accounting policies have been reviewed by the board of directors in accordance with FRS18 "Accounting policies"

There were no changes to accounting standards in 2012 which were applicable to the company

Group accounts
The accounts contain information about the company as an individual company and do not contain consolidated financial information as parent of a group The company is exempt under section 401of the Companies Act 2006 from the requirement to prepare consolidated accounts as it and its subsidiary undertakings are included by full consolidation in the accounts of Honeywell International Inc , a company registered in the USA, and whose accounts the directors consider to be drawn up in a manner equivalent to the 7th Directive The accounts of Honeywell International Inc are publicly available

Going concern
The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Directors' report The ultimate parent company, Honeywell International Inc has indicated it will provide financial support to the company for at least one year from the date of signing these accounts

The directors, having taken into account the financial support from the ultimate parent undertaking believe that no material uncertainties exist that cast significant doubt on the company's ability to continue in operation for the foreseeable future

Turnover and revenue recognition
Turnover comprises sales to customers and service revenues net of value added tax
Revenue from product and service sales is recognised on delivery and when acceptance by the customer has occurred

Leases
Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the lease

Research and development
All costs associated with research and development are written off to the profit and loss account in the year of expenditure

Dividend income
Dividend income is recognised when the shareholder's right to payment is established, that is on declaration of the dividend by the subsidiary

Taxation
Current tax is the amount of tax estimated to be payable or recoverable in respect of the taxable profit or loss for a period, along with adjustments to estimates in respect of previous periods

Deferred tax
Deferred tax is recognised in respect of the future estimated tax consequences of transactions or events recognised in the accounts of the current and previous periods

Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Intangible assets
The company evaluates the carrying value of intangible assets in each financial year to determine if there has been an impairment in value resulting in the company being unable to recover the carrying amount Where it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account

Tangible assets and depreciation
Tangible assets are stated at historical purchase cost less accumulated depreciation Depreciation is calculated using the straight line method at rates calculated to write down the cost to the estimated residual value over the estimate useful life Cost comprises purchase costs together with any incidental expenses of acquisition The annual depreciation rates used for the major assets are

Buildings - freehold	2-3%
Plant & machinery	5% - 8%
Fixtures & fittings	8%

Depreciation is not provided on assets under construction until the asset is completed

Land is not depreciated

Investments
The company's interest in subsidiary undertakings is shown at cost less provision for permanent impairment The value of investments is reviewed annually by the directors or more frequently if there is a triggering event, and provision made where it is considered that there has been a permanent impairment of value

Stock
Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value The cost of raw materials, consumables and goods for resale represents purchase cost on a first-in, first-out basis The cost of work in progress and finished goods is the cost of direct materials and labour plus attributable overheads based on a normal level of activity Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal Provisions for obsolete and slow moving stocks are made where appropriate Consignment stock is held by certain customers as part of maintenance agreements between the company and those customers this stock is replenished when used

Provisions
The company recognises a provision when it has a present obligation, either legal or constructive, which can be reliably measured and it is probable that the transfer of economic benefits will be required to settle that obligation Provisions are based on the best estimate of expenditure required to settle the obligation

Pensions
Defined benefit plan assets are measured at market value and plan liabilities are measured using the projected unit method Liabilities are discounted at the current rate of return on a high quality corporate bond of term and equivalent currency to the liability Full actuarial valuations are obtained every three years, and are updated at each balance sheet date

The company's share of the surplus or deficit of a defined benefit plan in which it participates is based on its actual shares of assets and obligations to the extent they are identifiable, or otherwise in proportion to its anticipated share of future contributions to the plan, normally in proportion to the number of defined benefit members reported on the most recent annual return from the trustees to the pension regulator

A surplus is recognised to the extent that it is recoverable through reduced contributions and refunds

Current and past service costs are included in the profit and loss account within operating expenses The net amount of interest cost and expected return on assets is shown as other finance costs or income Actuarial gains and losses, including differences between the expected and actual return on plan assets, are recognised in the statement of total recognised gains and losses, net of related deferred tax

Defined contribution plans are externally funded, with the assets of the plan held separately from those of the company in separate trustee administered funds Contributions to such plans are charged to the profit and loss account as they become payable

2. Cash flow statement and related party transactions
The company is a wholly owned subsidiary company of a group headed by Honeywell International Inc , and is included in the consolidated accounts of that company, which are publicly available Consequently, the company has taken advantage of the exemption within FRS 1 "Cash flow statements" (revised 1996) from preparing a cash flow statement

In accordance with the exemptions available under FRS 8 "Related party disclosures", transactions with other wholly owned undertakings within the Honeywell group are not required to be disclosed in these accounts, on the grounds that this company is a wholly owned subsidiary of Honeywell International Inc , whose accounts are publicly available

3. Turnover
Turnover is derived classes of business which do not substantially differ from each other

4 Operating profit

	2012	*2011*
Operating profit is stated after charging/(crediting)	£000	*£000*
Tangible assets - owned	1,836	*1,978*
Intangible assets	742	*742*
Rental charges under operating leases		
Land and buildings	552	*587*
Plant and machinery	249	*261*
Loss on disposal of tangible assets	-	*12*
Reorganisation and redundancy	73	-
Loss/(profit) on foreign exchange	96	*(65)*

5 Auditors' remuneration

	2012	*2011*
	£000	*£000*
Fees payable to the company's auditor for the audit of the company's annual accounts	60	*59*

6. Employees and directors

	2012	*2011*
Average number of persons employed during the year (including executive directors)	number	*number*
Factory and engineering	532	*586*
Selling, servicing and marketing	171	*172*
General and administration	103	*85*
	806	*843*
Staff costs	£000	*£000*
Wages and salaries	28,797	*25,424*
Social security costs	2,400	*1,954*
Pension costs for defined benefit plans (note 19)	3,777	*3,172*
Pension contributions to defined contribution plans (note 19)	69	*2,207*
	35,043	*32,757*
Directors' remuneration		
Aggregate emoluments	436	*631*
	436	*631*
Highest paid director		
Aggregate emoluments	155	*183*
Accrued pension at year end	50	*44*
	205	*227*
The number of directors who were	number	*number*
Members of a defined benefit plan	4	*4*

During the year the highest paid director did (2011 did) exercise options over shares of Honeywell International Inc , the ultimate parent company

7. Transactions in relation to group undertakings

	2012	*2011*
	£000	*£000*
Income from shares in group undertakings		
Dividend from Friedland Ltd	10,190	-
	10,190	-
Amounts written off in respect of investments		
Friedland Ltd	(10,511)	-

8. Interest	2012 £000	*2011 £000*
Interest receivable and similar charges		
Interest receivable from group undertakings	32	*32*
	32	*32*
Interest payable and similar charges		
Interest payable on bank overdrafts	13	*3*
Interest payable to group undertakings	3,080	*3,033*
	3,093	*3,036*

9. Tax on profit on ordinary activities	2012 £000	*2011 £000*
UK corporation tax on profit for the year	1,237	*998*
Deferred tax		
Origination and reversal of timing differences	1,752	*5,619*
Effect of decreased tax rate on opening balance	1,109	*-*
Total deferred tax	2,861	*5,619*
Tax on profit on ordinary activities	4,098	*6,617*

Factors affecting tax charge for the year
The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012
Accordingly, the company's profits for this accounting period are taxed at an effective rate of 24 5%

Difference between tax at standard rate of UK corporation tax and total tax charge	2012 £000	*2011 £000*
Profit on ordinary activities before taxation	8,143	*16,311*
Standard rate of UK corporation tax (%)	24 5	*26 5*
Profit on ordinary activities multiplied by the standard rate of UK corporation tax	1,995	*4,322*
Effects of		
Expenses not deductible for tax purposes and other permanent differences	1,205	*1,182*
Capital allowances in excess of depreciation	351	*668*
Timing differences related to pensions	(1,647)	*(1,426)*
Movements in general provisions and other short term timing differences	(269)	*93*
Group relief not paid for	(398)	*(198)*
Tax losses carried forward/(utilised)	-	*(3,643)*
Total tax charge for the year	1,237	*998*

Factors that may affect future tax charges
Deferred tax is provided at 23% on temporary differences reversing in 2013 and thereafter There are proposals to reduce UK Corporation Tax in stages to 20% by April 2015 The effect of these proposals is not material

10. Deferred tax

Tax effect of timing differences because of	2012 £000	*2011 £000*
Differences between capital allowances and depreciation	4,296	*4,499*
Other short term timing differences	3,854	*855*
Provision for deferred tax	8,150	*5,354*
Deferred tax asset on pension liability (note 19)	4,432	*9,255*
Net deferred tax asset	12,582	*14,609*

Movements in deferred tax	Excluding pension £000	Pension £000	Total £000
At 1 January	5,354	9,255	14,609
Charge to profit and loss account (note 9)	2,796	(5,657)	(2,861)
Credit to the STRGL (note 19)	-	834	834
At 31 December	8,150	4,432	12,582

The deferred tax asset is recognised because it is more likely than not that there will be sufficent taxable profits in future to recover the asset

11. Intangible assets

	Goodwill £000
Cost	
At 1 January 2012	14,850
Other changes	35
At 31 December 2012	14,885
Accumulated depreciation	
At 1 January 2012	6,840
Charge for the year	742
At 31 December 2012	7,582
Net book value	
At 31 December 2012	7,303
At 31 December 2011	*8,010*

12. Tangible assets

	Land & buildings £000	Plant & machinery £000	Construction in progress £000	Fixture & fittings £000	Total £000
Cost					
At 1 January 2012	10,454	16,520	1,044	1,891	29,909
Additions	-	118	1,020	-	1,138
Disposals	-	(276)	-	(8)	(284)
Reclassification	-	862	(874)	12	-
At 31 December 2012	10,454	17,224	1,190	1,895	30,763
Accumulated depreciation					
At 1 January 2012	3,714	11,223	-	1,598	16,535
Charge for the year	440	1,317	-	79	1,836
Disposals	-	(276)	-	(8)	(284)
At 31 December 2012	4,154	12,264	-	1,669	18,087
Net book value					
At 31 December 2012	6,300	4,960	1,190	226	12,676
At 31 December 2011	*6,740*	*5,297*	*1,044*	*293*	*13,374*

13. Investments

	Subsidiary undertakings £000
Cost	
At 1 January 2012	20,903
Disposals	(15,930)
At 31 December 2012	4,973
Provision for impairment	
At 1 January 2012	5,419
Disposals	(5,419)
At 31 December 2012	-
Net book value	
At 31 December 2012	4,973
At 31 December 2011	*15,484*

The directors believe that the book value of the investments is not less than the value of the underlying net assets

The company's principal subsidiary undertakings, all of which are 100% owned unless otherwise indicated, are as follows

Name of company	Principal activity	% holding if not 100%	Country of incorporation
Participating interests			
Hawa-MK Electrical Accessories Ltd	Electrical devices	40	Saudi Arabia
Directly held subsidiaries			
Honeywell Electrical Devices & Systems India Ltd	Electrical devices and systems		India
Ackermann Ltd	Non trading		England

Friedland Ltd was placed into liquidation during 2012 resulting in a net disposal of £10,511,000

14. Stocks

	2012 £000	*2011 £000*
Raw materials	4,860	*3,341*
Work in progress	1,331	*1,677*
Finished goods for sale	6,717	*6,306*
	12,908	*11,324*

15. Debtors

Amounts falling due within one year	2012 £000	*2011 £000*
Trade debtors	21,529	*11,746*
Amounts owed by group undertakings	9,298	*9,712*
Deferred tax asset (note 10)	8,150	*5,354*
Other debtors	323	-
Prepayments and accrued income	312	*535*
	39,612	*27,347*

16. Creditors: amounts falling due within one year

	2012 £000	*2011 £000*
Trade creditors	15,061	*15,275*
Amounts owed to group undertakings	14,977	*37,327*
Taxation and social security	2,843	*3,339*
Other creditors	31	-
Accruals and deferred income	3,887	*2,947*
Accrued preference share dividends	24,264	*21,231*
	61,063	*80,119*

17. Creditors: amounts falling due after more than one year

	2012 £000	*2011 £000*
7 5% cumulative preference shares of £1 each	40,441	*40,441*
	40,441	*40,441*

The holders of the redeemable cumulative preference shares have the right to be paid a fixed cumulative preference dividend at the rate of 7 5% per annum payable annually in arrears
The company can redeem all or part of the preference shares at any time together with arrears of dividends In the case of winding up the company, the holders of the preference shares are entitled to receive the face value of the shares together with arrears of dividends up to the date of winding up

18. Provisions for liabilities

	At 1 January £000	Charge (credit) to P&L £000	At 31 December £000
Warranty	2,078	(79)	1,999
Litigation	660	(660)	-
	2,738	(739)	1,999

The warranty provision represents the best estimate of the costs associated with the sale of products and services supplied under warranty before the balance sheet date

19. Pensions

Defined benefit plans

Honeywell UK Pension Scheme (HUKPS)

The company is a participating employer in the Honeywell UK Pension Scheme (HUKPS) which is a funded defined benefit plan providing retirement benefits based on salary It is closed to new entrants

Regular employer contributions to the plan by the company in 2013 are estimated to be £14,085,000 Defined benefit pension obligations are based on a full valuation of the liabilities of HUKPS as at 31 March 2011, measured using the projected unit credit method

The allocation of each participating employer's share of assets and liabilities as at 1 January 2011 was updated in the 31 March 2011 valuation to reflect the pooling of the plan's assets, which were previously identifiable by predecessor plan The effect of this change on the movements in pension assets and obligations is disclosed in this note as "effect of transfer to HUKPS" in the prior year

	2012	*2011*
Amounts recognised in the balance sheet	£000	*£000*
Fair value of plan assets	413,956	*374,300*
Present value of defined benefit obligations	(433,225)	*(404,600)*
	(19,269)	*(30,300)*
Deficit	(19,269)	*(30,300)*
Related deferred tax asset @23 0% (2011 25 0%)	4,432	*7,575*
Deferred tax on excess pension contributions deductible in future years	-	*1,680*
Net liability	(14,837)	*(21,045)*
Amounts recognised in profit or loss		
Interest cost	18,699	*19,600*
Expected return on pension plan assets	(22,054)	*(24,600)*
Finance credit recognised	(3,355)	*(5,000)*
Current service cost	3,777	*3,172*
Credit/(cost) recognised in profit and loss	422	*(1,828)*
Actual return on assets	33,700	*9,500*
Amounts recognised in the statement of total recognised gains and losses (STRGL)		
Total actuarial losses	(8,452)	*(36,728)*
Effect of transfer to HUKPS	-	*(17,200)*
Change in assets not recoverable in future	-	*2,000*
Actuarial loss recognised in STRGL	(8,452)	*(51,928)*
Cumulative amount of actuarial losses recognised in STRGL	(97,880)	*(89,428)*

Changes in present value of defined benefit obligation	2012 £000	*2011 £000*
At 1 January	(404,600)	*(234,000)*
Effect of transfer to HUKPS	-	*(139,600)*
Current service cost	(3,777)	*(3,172)*
Interest cost	(18,699)	*(19,600)*
Actuarial losses on liabilities	(20,098)	*(21,628)*
Contributions by participants	(86)	*(200)*
Net benefits paid out	14,035	*13,600*
At 31 December	(433,225)	*(404,600)*

Changes in fair value of scheme assets		
At 1 January	374,300	*255,200*
Effect of transfer to HUKPS	-	*122,400*
Expected return on assets	22,054	*24,600*
Actuarial gains/(losses) on assets	11,646	*(15,100)*
Contributions by employer	19,905	*600*
Contributions by participants	86	*200*
Net benefits paid out	(14,035)	*(13,600)*
At 31 December	413,956	*374,300*

Major categories of plan assets as a percentage of total plan assets	2012 %	*2011 %*
Equities	51 0	*57 9*
Bonds	42 0	*34 7*
Property	4 0	*4 9*
Cash	3 0	-
Other	-	*2 5*
	100 0	*100 0*

Main actuarial assumptions	2012 %	*2011 %*
Inflation (RPI)	3 0	*3 1*
Inflation (CPI)	2 3	*2 2*
Rate of general long term increases in salaries	4 0	*4 1*
Pensions subject to limited price indexation to 5%	2 9	*3 0*
Pensions subject to limited price indexation to 2 5%	2 1	*2 1*
Discount rate for scheme liabilities	4 5	*4 8*
Expected rate of return	6 0	*6 1*

Mortality
Mortality assumptions are based on standard mortality tables which allow for future mortality improvements These tables assume that a member who retired in 2012 at age 65 will live on average for a further 23 0 years (2011 22 8 years) after retirement if male or a further 25 2 years (2011 24 9 years) if female

Overall long-term rate of return
The company employs a building block approach in determining the long-term rate of return on pension plan assets Historical markets are studied and assets with a higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles The overall expected rate of return on assets is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the plan at the year end

Amounts for current year and previous four years	2012 £000	*2011 £000*	*2010 £000*	*2009 £000*	*2008 £000*
Fair value of assets	413,956	*374,300*	*255,200*	*205,000*	*163,100*
Defined benefit obligation (DBO)	(433,225)	*(404,600)*	*(234,000)*	*(234,500)*	*(184,700)*
Assets not recoverable in future	-	-	*(2,000)*	*(200)*	-
Net (deficit)/surplus	(19,269)	*(30,300)*	*19,200*	*(29,700)*	*(21,600)*
Experience (loss)/gain on assets	11,646	*(15,100)*	*14,900*	*11,800*	*(49,800)*
Experience (loss)/gain on liabilities	(1,938)	*23,700*	*500*	*(1,900)*	*(19,900)*

Amounts for 2012 and 2011 relate to HUKPS Amounts for 2010, 2009 and 2008 relate to predecessor plans

Defined contribution sections	2012 £000	*2011 £000*
Contributions to defined contribution plans during the year	69	*2,207*

20. Called up share capital

Allotted, called up and fully paid	2012 £000	*2011 £000*
1,100,605 ordinary share of £1 each	1,101	*1,101*

21. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Share premium £000	Other reserves £000	Profit and loss account £000	2012 Total £000	*2011 Total £000*
At 1 January	1,101	19,800	714	(57,947)	(36,332)	*(7,855)*
Profit for the financial year	-	-	-	4,045	4,045	*9,694*
Actuarial loss on pension plan	-	-	-	(8,452)	(8,452)	*(51,928)*
Movement on deferred tax relating to pension plan	-	-	-	834	834	*12,759*
Movement on current tax relating to pension plan	-	-	-	1,237	1,237	*998*
At 31 December	1,101	19,800	714	(60,283)	(38,668)	*(36,332)*

22. Operating lease commitments

At 31 December the company had annual commitments under non-cancellable operating leases expiring as follows	2012 £000	*2011 £000*
Land and buildings		
expiring in within one year	11	*46*
expiring in more than five years	525	*525*
	536	*571*
Other leases		
expiring in within one year	24	-
expiring in two to five years	96	-
expiring in more than five years	-	*261*
	120	*261*

23. Contingent liabilities

All UK Honeywell group companies have entered into a composite accounting agreement whereby each company has provided a guarantee to the bank This agreement permits the set-off of balances, on a group basis, for interest purposes The maximum liability arising from this arrangement, on a group basis, is the total overdraft balances held by group companies amounting to £451,583,000 (2011 £568,591,000) Positive cash balances held in the group exceeded the overdraft balances in 2012 and 2011

24. Ultimate parent undertaking

The immediate parent undertaking is Novar Electrical Holdings Ltd, a company incorporated in England

The ultimate parent undertaking and controlling party is Honeywell International Inc , a company incorporated in the USA, which is the smallest and largest group to consolidate these accounts Copies of these accounts are publicly available and can be obtained from Corporate Publications, PO Box 2245, Morristown, New Jersey 07962-2245 USA or from the Internet at www honeywell com